

# Public Employee Retirement System

Analyst: Castro

## Historical Summary

OPERATING BUDGET	FY 2007 Total App	FY 2007 Actual	FY 2008 Approp	FY 2009 Request	FY 2009 Gov Rec
<b>BY PROGRAM</b>					
Ret. Administration	5,640,900	5,071,600	5,839,800	6,164,400	6,268,600
Portfolio Investment	745,000	616,500	781,600	913,700	878,900
<b>Total:</b>	<b>6,385,900</b>	<b>5,688,100</b>	<b>6,621,400</b>	<b>7,078,100</b>	<b>7,147,500</b>
<b>BY FUND CATEGORY</b>					
Dedicated	6,385,900	5,688,100	6,621,400	7,078,100	7,147,500
Percent Change:		(10.9%)	16.4%	6.9%	7.9%
<b>BY OBJECT OF EXPENDITURE</b>					
Personnel Costs	3,582,300	3,544,500	3,790,500	4,113,900	4,194,000
Operating Expenditures	2,693,700	2,037,000	2,725,100	2,742,700	2,732,000
Capital Outlay	109,900	106,600	105,800	221,500	221,500
<b>Total:</b>	<b>6,385,900</b>	<b>5,688,100</b>	<b>6,621,400</b>	<b>7,078,100</b>	<b>7,147,500</b>
Full-Time Positions (FTP)	63.00	63.00	63.00	65.00	65.00

## Division Description

The mission of the Public Employee Retirement System of Idaho (PERSI) is to provide members and their beneficiaries with reliable, secure, long-term retirement, survivor, and disability benefits as specified by law, and to assist members in planning a secure retirement by providing high quality, friendly service, retirement education and information.

The RETIREMENT ADMINISTRATION program administers the PERSI Base Plan, a Defined Benefit (DB) retirement plan that is mandatory for all eligible state and school district employees, and for employees of political subdivisions which have elected to participate, and provides separation, disability, death and survivor benefits. PERSI also administers the Sick Leave Reserve Fund for state and school district retirees, from which monthly medical insurance premiums are paid, as well as the former Firemen's Retirement Fund and the Idaho Falls and Boise City Police Retirement Funds.

The PERSI Choice Plan is a Defined Contribution (DC) retirement plan which provides a 401(k) plan option to all 65,000 eligible active PERSI members in addition to, and separate from, the DB plan. PERSI established the PERSI Choice Plan as part of the Gain Sharing program adopted by the 2000 legislature.

PERSI is completing a major multi-year Business Process Reengineering project to improve and enhance its customer service delivery system to meet the growing demands for services from an aging membership. The major milestones completed are as follows:

- Conducted a series of strategic planning sessions and a business operations assessment to identify and recommend service and operational improvements.
- Converted and indexed nearly 1.8 million images from microfilm to digital format.
- Reorganized the majority of the staff into three operating units: PERSI Answer Center (PAC), PERSI Processing Center (PPC), and the Employer Service Center (ESC).
- Developed processes and training modules for each of the new operating units.

Future changes include updating the phone system with Voice Over IP, linking field office data and voice system to central office, adding a phone call monitoring system, and implementing an automated workflow system. By changing the way it conducts business, PERSI expects to increase productivity and be able to better measure work efforts.

The PORTFOLIO INVESTMENT program is responsible for the management of PERSI assets to ensure secure long-term returns on investments while minimizing investment costs. Beginning in FY 1996, the administrative costs of portfolio investment came under a fixed appropriation. The remaining investment costs continue to operate under a perpetual appropriation as provided in Section 59-1311, Idaho Code.

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## Comparative Summary

Decision Unit	Agency Request			Governor's Rec		
	FTP	General	Total	FTP	General	Total
<b>FY 2008 Original Appropriation</b>	<b>63.00</b>	<b>0</b>	<b>6,621,400</b>	<b>63.00</b>	<b>0</b>	<b>6,621,400</b>
Removal of One-Time Expenditures	0.00	0	(116,300)	0.00	0	(116,300)
<b>FY 2009 Base</b>	<b>63.00</b>	<b>0</b>	<b>6,505,100</b>	<b>63.00</b>	<b>0</b>	<b>6,505,100</b>
Benefit Costs	0.00	0	147,100	0.00	0	147,100
Inflationary Adjustments	0.00	0	10,700	0.00	0	0
Replacement Items	0.00	0	226,800	0.00	0	226,800
Statewide Cost Allocation	0.00	0	(4,600)	0.00	0	(4,600)
Change in Employee Compensation	0.00	0	32,800	0.00	0	164,000
<b>FY 2009 Program Maintenance</b>	<b>63.00</b>	<b>0</b>	<b>6,917,900</b>	<b>63.00</b>	<b>0</b>	<b>7,038,400</b>
1. Workload Increase	1.00	0	40,900	1.00	0	40,900
2. Investment Accountant	1.00	0	68,200	1.00	0	68,200
3. Investment Salary Staff Equity	0.00	0	51,100	0.00	0	0
<b>FY 2009 Total</b>	<b>65.00</b>	<b>0</b>	<b>7,078,100</b>	<b>65.00</b>	<b>0</b>	<b>7,147,500</b>
Change from Original Appropriation	2.00	0	456,700	2.00	0	526,100
% Change from Original Appropriation			6.9%			7.9%

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Budget by Decision Unit	FTP	General	Dedicated	Federal	Total
<b>FY 2008 Original Appropriation</b>	63.00	0	6,621,400	0	6,621,400

## Removal of One-Time Expenditures

Remove funding provided for one-time items.

Agency Request	0.00	0	(116,300)	0	(116,300)
Governor's Recommendation	0.00	0	(116,300)	0	(116,300)

<b>FY 2009 Base</b>					
Agency Request	63.00	0	6,505,100	0	6,505,100
Governor's Recommendation	63.00	0	6,505,100	0	6,505,100

## Benefit Costs

Reflects \$2,075 per position or a 29% increase in employer-paid health insurance premiums from \$7,125 to \$9,200 per year. This increase is artificially inflated since the rates have been frozen for the last two years, with increases being covered from reserves.

Agency Request	0.00	0	147,100	0	147,100
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*The Governor recommends funding the employer increase in health insurance, and does not remove the funding for their PERSI rate increase that was included in the request. Recently, the PERSI Board voted not to increase the contribution rate for the upcoming fiscal year.*

Governor's Recommendation	0.00	0	147,100	0	147,100
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## Inflationary Adjustments

This inflationary adjustment is arrived at by subtracting one-time funding and statewide allocation plan costs from the base and calculating a customized increase for all remaining operating costs.

Agency Request	0.00	0	10,700	0	10,700
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*Inflationary increases are provided only for contractual obligations such as leased space costs. Other inflationary requests are not recommended.*

Governor's Recommendation	0.00	0	0	0	0
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## Replacement Items

The \$226,800 will be used to replace fax machines, computers, color printer, black and white printer, office furniture and upgrade software.

Agency Request	0.00	0	226,800	0	226,800
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Governor's Recommendation	0.00	0	226,800	0	226,800
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## Statewide Cost Allocation

This decision unit includes adjustments for services provided by state agencies as follow: (\$9,700) for Attorney General fees, \$7,100 for State Controller fees, (\$4,000) for State Treasurer fees, and \$5,300 for property and casualty insurance premiums.

Agency Request	0.00	0	(4,600)	0	(4,600)
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Governor's Recommendation	0.00	0	(4,600)	0	(4,600)
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## Change in Employee Compensation

Agencies were instructed to input a CEC based on a 1% calculator.

Agency Request	0.00	0	32,800	0	32,800
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*The Governor recommends a compensation increase of 5% to be distributed based on merit.*

Governor's Recommendation	0.00	0	164,000	0	164,000
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<b>FY 2009 Program Maintenance</b>					
Agency Request	63.00	0	6,917,900	0	6,917,900
Governor's Recommendation	63.00	0	7,038,400	0	7,038,400

## 1. Workload Increase

## Retirement Administration

The agency is requesting 1.0 FTP and \$40,900 for a Technical Records Specialist 1 position. The transactional workload has grown as a result of increased activity such as retirements and separations. This position is needed to achieve same day scanning of incoming transactional documents into the workflow system allowing knowledgeable workers to process transactions timely. Current duties have been filled by a temporary worker while the agency evaluated the on-going demands.

Agency Request	1.00	0	40,900	0	40,900
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Governor's Recommendation	1.00	0	40,900	0	40,900
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Budget by Decision Unit	FTP	General	Dedicated	Federal	Total
<b>2. Investment Accountant</b>			<b>Portfolio Investment</b>		
The agency is requesting 1.0 FTP and \$68,200 for a Senior Financial Specialist to provide the additional levels of accounting support needed to monitor and manage the accounting and cash flow of PERSI investment portfolio. The portfolio has almost doubled during the last 5 years to over \$11 billion.					
Agency Request	1.00	0	68,200	0	68,200
Governor's Recommendation	1.00	0	68,200	0	68,200
<b>3. Investment Salary Staff Equity</b>			<b>Portfolio Investment</b>		
The quality of the PERSI investment program is dependant upon the Board's ability to hire and retain experienced investment professionals. The ability to keep pace with the market demand for individuals with these high level skills is extremely important to maintain the relative investment performance in both good and bad markets. With a two person investment staff, any turnover can have serious consequences. The agency is requesting additional spending authority be available for future pay increases for investment staff above the normal CEC funded.					
NOTE: In FY 2007 the Portfolio Investment program reverted \$15,200 in personnel appropriation and \$98,300 in operating appropriation.					
Agency Request	0.00	0	51,100	0	51,100
Not recommended by the Governor.					
Governor's Recommendation	0.00	0	0	0	0
<b>FY 2009 Total</b>					
Agency Request	65.00	0	7,078,100	0	7,078,100
Governor's Recommendation	65.00	0	7,147,500	0	7,147,500
Agency Request					
Change from Original App	2.00	0	456,700	0	456,700
% Change from Original App	3.2%		6.9%		6.9%
Governor's Recommendation					
Change from Original App	2.00	0	526,100	0	526,100
% Change from Original App	3.2%		7.9%		7.9%